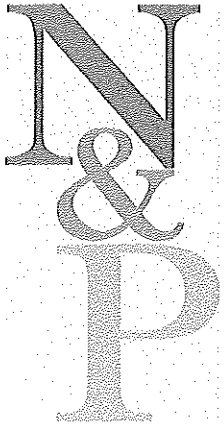


MOTTVILLE, TOWNSHIP
ST. JOSEPH COUNTY, MICHIGAN
FINANCIAL STATEMENTS
JUNE 30, 2010

MOTTVILLE TOWNSHIP

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INDEPENDENT AUDITOR'S REPORT

To the Supervisor and
Members of the Township Board
Township of Mottville
St. Joseph County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mottville Township, Michigan, as of and for the year ended June 30, 2010, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Mottville Township, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mottville Township, Michigan, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce S. A. Gosling, CPA/ABV, CVA

Michael R. Wilson, CPA

Rick L. Strawser, CPA

Jerrel T. Norman (1941-1982)

October 13, 2010

Norman & Paulsen, P.C.

**MOTTVILLE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Mottville Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the Township's financial statements.

Financial Highlights

The Township's net assets increased \$16,813 during the fiscal year ended June 30, 2010, which represents 2.2 percent of the net asset position at the beginning of the year.

The Township's Governmental Funds reflected a total fund balance at June 30, 2010 of \$636,065, which was an increase of \$20,728 from the prior year end.

The total Governmental Funds expenditures for the year ended June 30, 2010, amounted to \$191,808, of which \$138,273 (72 percent) was for general government, \$46,870 (24 percent) was for public safety, \$5,190 (3 percent) was for public works and \$1,475 (1 percent) was for recreation.

Using This Annual Report

This annual report consists of a series of financial statements. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the government, reporting individual Township operations in more detail than the government-wide statements.

- * The governmental funds statements tell how general government services were financed in the short-term as well as what remains available for future spending.
- * Proprietary fund statements offer short-and-long-term financial information about activities the Township operates like private businesses. The Township does not have any proprietary funds.
- * Fiduciary fund statements provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

**MOTTVILLE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Reporting the Township as a Whole

Our analysis of the Township as a whole begins on page 7. One of the most important questions asked about the Township's finances is, "Is the Township as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above, report the Township's net assets and changes in them. The reader can think of the Township's net assets - the difference between assets and liabilities - as one way to measure the Township's financial health or financial position. Over time, increases or decreases in the Township's net assets are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors, however, such as changes in the Township's property tax base and the condition of the Township's capital assets (buildings and equipment) to assess the overall health of the Township.

In the statement of net assets and the statement of activities, the Township is divided into two kinds of activities:

- * **Governmental activities** - Most of the Township's basic services are reported here, including public safety and general administration. Property taxes and state shared revenues finance most of these activities.
- * **Business-type activities** - The Township charges a fee to customers to help it cover all or most of the cost of certain services provided. The Township has no business-type activities.

Reporting the Township's Most Significant Funds

Our analysis of the Township's major funds begins on page 9. The fund financial statements begin on page 9 and provide detailed information about the most significant funds - not the Township as a whole. Some funds are required to be established by state law and by loan covenants. However, the Township board has established several other funds to help it control and manage money for particular purposes. The Township has the following kinds of funds:

**MOTTVILLE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Reporting the Township's Most Significant Funds - Continued

- * **Governmental funds** - Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and the governmental funds in a reconciliation following the fund financial statements.

- * **Fiduciary funds** - The Township is the trustee, or fiduciary, for certain funds. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance it's operations.

The Township as a Whole

The Township's combined net assets increased from a year ago, from \$781,109 to \$797,922. The Township's total net asset position continues to remain strong. In a condensed format, the table below shows key financial information:

**MOTTVILLE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Township as a Whole - Continued

	<u>2010</u>	<u>2009</u>
Net assets as of June 30, 2010 and 2009:		
Current and other assets	\$ 640,978	\$ 632,218
Capital assets	<u>161,857</u>	<u>165,771</u>
Total assets	802,835	797,989
Long-term debt outstanding	-	-
Other liabilities	<u>4,913</u>	<u>16,880</u>
Total liabilities	4,913	16,880
Net assets		
Invested in capital assets net of related debt	161,857	165,771
Restricted	8,883	8,238
Unrestricted	<u>627,182</u>	<u>607,100</u>
Total net assets	<u>\$ 797,922</u>	<u>\$ 781,109</u>
Changes in net assets as of June 30, 2010 and 2009:		
	<u>2010</u>	<u>2009</u>
Revenues		
Program revenues		
Charges for services	\$ 36,902	\$ 37,546
Operating grants	1,734	1,693
General revenues		
Property taxes	61,531	55,465
State shared revenues	95,218	102,514
Interest	10,037	21,254
Other	<u>7,114</u>	<u>10,109</u>
Total revenues	212,536	228,581
Expenses		
General government	142,188	153,537
Public safety	46,870	45,170
Public works	5,190	4,315
Recreation	<u>1,475</u>	<u>1,507</u>
Total expenses	<u>195,723</u>	<u>204,529</u>
Change in net assets	<u>\$ 16,813</u>	<u>\$ 24,052</u>

**MOTTVILLE TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Financial Analysis of the Township's Funds

At the end of fiscal year 2010, the governmental funds reported a combined fund balance of \$636,065 which is \$20,728 greater than last year. The General Fund reflected a fund balance of \$337,155 which is \$19,215 greater than the previous fund balance of \$317,940.

General Fund Budgetary Highlights

The Township Board amended the General Fund Budget to better reflect actual revenues and expenditures. The original budget projected a \$18,200 decrease in fund balance and the final amended budget projected a \$41,028 decrease in fund balance. Actual results reflect that the fund balance increased by \$19,215. Actual expenditures ended the fiscal year under the final amended budget by \$43,390.

Capital Asset and Debt Administration

Capital Assets - At June 30, 2010, the Township had \$244,443 invested in a broad range of capital assets including land, buildings, and various equipment. Additional information on capital assets can be found in note 4 on page 23 of the notes to the financial statements.

Long-term Debt - The Township has no debt obligations.

Economic Condition and Outlook

Due to the current economic condition in the State of Michigan, the Township has projected continued decreases in state shared revenues.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clerk's office.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

MOTTVILLE TOWNSHIP

STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Primary Government</u>
ASSETS	
Cash and investments	\$ 598,327
Receivables - net	36,891
Prepaid assets	5,760
Capital assets - net	<u>161,857</u>
Total assets	802,835
LIABILITIES	
Accounts payable	3,165
Accrued and other liabilities	<u>1,748</u>
Total liabilities	4,913
NET ASSETS	
Invested in capital assets, net of related debt	161,857
Restricted - other purposes	8,883
Unrestricted	<u>627,182</u>
Total net assets	<u>\$ 797,922</u>

See accompanying notes to the financial statements

MOTTVILLE TOWNSHIP

STATEMENT OF ACTIVITIES
JUNE 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Operating Grants and Contributions</u>
Primary government				
Governmental activities:				
General government	\$ 142,188	\$ 25,762	\$ -	\$ -
Public safety	46,870	8,140	-	-
Public works	5,190	-	1,734	-
Recreation	<u>1,475</u>	<u>3,000</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 195,723</u>	<u>\$ 36,902</u>	<u>\$ 1,734</u>	<u>\$ -</u>

General revenues:
Property taxes
State shared revenues
Unrestricted investment earnings
Miscellaneous

Total general revenues

CHANGE IN NET ASSETS

NET ASSETS - BEGINNING OF YEAR - AS RESTATED

NET ASSETS - END OF YEAR

See accompanying notes to the financial statements

Net (Expense) Revenue and
Changes in Net Assets

Primary
Government

Governmental
Activities

\$ (116,426)
(38,730)
(3,456)
1,525

(157,087)

61,531
95,218
10,037
7,114

173,900

16,813

781,109

\$ 797,922

FUND FINANCIAL STATEMENTS

MOTTVILLE TOWNSHIP

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010

	General Fund	Improvement Fund	Budget Stabilization Funds
ASSETS			
Cash and equivalents	\$ 598,327	\$ -	\$ -
Accounts receivable	3,641	-	-
Due from other funds	-	238,910	60,000
Due from other governments	33,250	-	-
Prepaid expenditures	<u>5,760</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 640,978</u>	<u>\$ 238,910</u>	<u>\$ 60,000</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 3,165	\$ -	\$ -
Accrued and other liabilities	1,748	-	-
Due to other funds	<u>298,910</u>	<u>-</u>	<u>-</u>
Total liabilities	303,823	-	-
FUND BALANCE			
Reserved for			
Right of way	8,772	-	-
Disaster contingency	100	-	-
Fire escrow	11	-	-
Unreserved			
Designated for recreation	7,268	-	-
Undesignated	<u>321,004</u>	<u>238,910</u>	<u>60,000</u>
Total fund balance	<u>337,155</u>	<u>238,910</u>	<u>60,000</u>
Total liabilities and fund balance	<u>\$ 640,978</u>	<u>\$ 238,910</u>	<u>\$ 60,000</u>

See accompanying notes to financial statements

Total
Governmental
Funds

\$ 598,327
3,641
298,910
33,250
5,760

\$ 939,888

\$ 3,165
1,748
298,910

303,823

8,772
100
11

7,268
619,914

636,065

\$ 939,888

MOTTVILLE TOWNSHIP

GOVERNMENTAL FUNDS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010

Total governmental fund balances	\$	636,065
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Amounts reported for governmental activities are
not financial resources and therefore are not
reported in the funds.

Governmental capital assets	\$	244,443	
Less accumulated depreciation		<u>(82,586)</u>	<u>161,857</u>
Net assets of governmental activities	\$		<u><u>797,922</u></u>

See accompanying notes to financial statements

MOTTVILLE TOWNSHIP

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2010**

	General Fund	Improvement Fund	Budget Stabilization Funds
REVENUES			
Property taxes	\$ 61,531	\$ -	\$ -
Tax administration fees	17,520	-	-
SET collection fee	2,492	-	-
Maint. Fee - Metro Act	1,734	-	-
State revenue sharing	95,218	-	-
Licenses, permits, and fees	8,108	-	-
Charges for services	11,915	-	-
Interest income	8,524	1,513	-
Rental income	3,000	-	-
Miscellaneous	<u>981</u>	<u>-</u>	<u>-</u>
Total revenues	211,023	1,513	-
EXPENDITURES			
General government	138,273	-	-
Public safety	46,870	-	-
Public works	5,190	-	-
Recreation	<u>1,475</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>191,808</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	19,215	1,513	-
FUND BALANCE - Beginning of year - As Restated	<u>317,940</u>	<u>237,397</u>	<u>60,000</u>
FUND BALANCE - End of year	<u>\$ 337,155</u>	<u>\$ 238,910</u>	<u>\$ 60,000</u>

See accompanying notes to financial statements

Total
Governmental
Funds

\$ 61,531
17,520
2,492
1,734
95,218
8,108
11,915
10,037
3,000
981

212,536

138,273
46,870
5,190
1,475

191,808

20,728

615,337

\$ 636,065

MOTTVILLE TOWNSHIP

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds \$ 20,728

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those
assets is depreciated over their estimated useful lives.

Expenditures for capital assets	6,150
Depreciation expense	<u>(10,065)</u>

Change in net assets of governmental activities	<u>\$ 16,813</u>
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See accompanying notes to financial statements

MOTTVILLE TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010

	<u>Tax Fund</u>
ASSETS	
Cash	<u>\$ 1,055</u>
LIABILITIES	
Undistributed tax collections	<u>\$ 1,055</u>

See accompanying notes to financial statements

MOTTVILLE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Mottville Township, St. Joseph County, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to townships. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The more significant accounting policies establishing GAAP and used by the Township are discussed below.

Reporting Entity

The Township is located in St. Joseph County, Michigan and provides services to approximately 1,500 residents. The Township operates under a Board of Trustees consisting of a Supervisor, Treasurer, Clerk and two Trustees. The services rendered to residents include public safety, highways and streets, planning and zoning, and general administrative services.

As required by generally accepted accounting principles, GASB 14, these financial statements present the Township (the primary government) and its component units, entities for which the Township is considered to be financially accountable. There are no component units to be included in these financial statements.

MOTTVILLE TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting - Government-Wide Financial Statements -
The statement of net assets and the statement of activities display information about the Township as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between activities that are governmental and those that are considered business-type activities. Internal service fund activity is eliminated to avoid "doubling-up" revenues and expenses. The Township does not have any business-type activities or internal service fund activity.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Some functions, such as administrative and financial services include expenses that are, in essence, indirect expenses of other functions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Township.

MOTTVILLE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Basis of Accounting - Fund Financial Statements - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

- * Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- * Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The Township does not have any proprietary funds or internal service funds.

The Township reports the following major funds:

General Fund - The general fund is the general operating fund of the Township. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

MOTTVILLE TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Special Revenue Funds

Improvement Fund - To account for funds set aside for future major capital outlay items.

Budget Stabilization Fund - To account for funds set aside for future operating items.

The following is a description of two major categories and various fund types within those categories into which the funds are grouped:

Governmental Fund - All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition - "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes, special assessments, licenses, interest revenue and charges for sales and services as susceptible to accrual if the amount was due on or before fiscal year end and collection was within two months of year end. Reimbursements due for expenditure-driven grants are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. All other revenue is recognized as payments are received.

Expenditure Recognition - The measurement focus of governmental accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

MOTTVILLE TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The following is a description of the governmental fund types of the Township:

General Fund - The general fund is the general operating fund of the Township. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds (Not Included in Government-Wide Financial Statements) - Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs.

Agency Funds - Agency funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Budgets and Budgetary Accounting - Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general and special revenue funds. The Township adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- * Prior to June 30, the Township Board reviews a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- * Public hearings are conducted at the Township hall to obtain public comments.

MOTTVILLE TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- * Prior to June 30th the budget and annual appropriations act are legally adopted by the Township Board.
- * Formal budget integration is employed as a management control device during the year for all budgetary funds.
- * Budgetary control is exercised at the department level in the general fund, and at the total expenditure or "fund" level for the special revenue funds. Similarly, the Township's "appropriation centers" are defined at the department level in the general fund and at the total expenditure or "fund" level for the special revenue funds.
- * Budget transfers between appropriation centers or changes to appropriation center totals require formal amendment by the Township Board. Budgets for the current year are carefully reviewed throughout the year for any revisions of estimates. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary.
- * All budget appropriations lapse at the end of the year.
- * Budgets as presented for the governmental funds are prepared on the modified accrual basis consistent with generally accepted accounting principles.

Deposits and Investments - Statutes authorize the primary government and component units to invest in the following:

- * In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- * In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a saving and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.

MOTTVILLE TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- * In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- * In United States government of federal agency obligation repurchase agreements.
- * In banker's acceptances of United States banks.
- * In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- * In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/due from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Property taxes are levied on December 1 and payable without penalty in one installment before February 28. Township property taxes are recognized as revenue (and become available for appropriation) in the period for which they are levied. The Township bills and collects its own property taxes and also taxes for the county and school districts in the Township. Collections of all the taxes and remittance of them to the other taxing authorities are accounted for in the current tax fund.

MOTTVILLE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The 2009 taxable value of the Township totaled \$69,112,804, on which ad valorem taxes levied consisted of .95210 mills for the general operation of the Township.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets and Depreciation - Capital assets, which include property, plant and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Contributed assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Depreciable Life-Years</u>
Buildings and improvements	10-40
Machinery and equipment	5-10
Furniture and other	5-10

Fund Equity - In the fund statements, reservations of fund balance represent amounts that are not available for appropriation or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MOTTVILLE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2 - DEPOSITS AND INVESTMENTS

The Township's deposits and investments are included on the balance sheet under the following classifications:

	<u>Primary Government</u>
Statement of Net Assets:	
Cash and cash equivalents	\$ 598,327
Statement of Fiduciary Net Assets:	
Cash	<u>1,055</u>
Total	<u>\$ 599,382</u>
Deposits and Investments:	
Bank deposits (checking accounts, savings accounts and certificates of deposit)	<u>\$ 599,382</u>

Deposits - The deposits of the Township were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$608,246. Of that amount, approximately \$608,246 was covered by federal depository insurance and \$-0- was uninsured and uncollateralized.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution it deposits Township Funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE 3 - RECEIVABLES

Receivables in the governmental activities are 90 percent due from other governments and 10 percent accounts receivable.

Accounts receivable in the governmental activities are reported net of an allowance for uncollectible accounts of -0-.

MOTTVILLE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010,
was as follows:

	Balance July 1, 2009	Additions	Disposals	Balance June 30, 2010
<u>Primary Government</u>				
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Capital assets, being depreciated:				
Buildings and improvements	180,524	-	-	180,524
Machinery and equipment	30,620	-	-	30,620
Furniture and other	<u>15,839</u>	<u>6,150</u>	<u>3,690</u>	<u>18,299</u>
Subtotal	226,983	6,150	3,690	229,443
Accumulated depreciation				
Buildings and improvements	35,438	8,407	-	43,845
Machinery and equipment	25,152	1,061	-	26,213
Furniture and other	<u>15,622</u>	<u>597</u>	<u>3,960</u>	<u>12,529</u>
Subtotal	<u>76,212</u>	<u>10,065</u>	<u>3,690</u>	<u>82,587</u>
Net capital assets being depreciated	<u>150,771</u>			<u>146,856</u>
Net capital assets	<u>\$ 165,771</u>			<u>\$ 161,856</u>

Depreciation expense was charged to functions/programs of the
primary government as follows:

Governmental activities:

General government \$ 10,065

MOTTVILLE TOWNSHIP

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables consisted of the following at June 30, 2010:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
<u>Due from/to other funds</u>			
Improvement	\$ 238,910		
Budget Stabilization	<u>60,000</u>		
	<u>\$ 298,910</u>	General	<u>\$ 298,910</u>

NOTE 6 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for most risks of loss to which it is exposed. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 7 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The annual budget is adopted by the Township Board and subsequent amendments are approved by the Township Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles.

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township were adopted on a fund level basis.

During the year ended June 30, 2010, the Township incurred no expenditures in excess of the amounts appropriated at the legal level of budgetary control.

MOTTVILLE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 8 - PRIOR PERIOD ADJUSTMENTS

Beginning Net Assets and General Fund Fund Balance have been corrected for the following errors:

	<u>NET ASSETS</u>	<u>GENERAL FUND FUND BALANCE</u>
Beginning of Year as previously reported	\$ 754,954	\$ 291,785
Accounts payable were understated	(1,554)	(1,554)
Accounts receivable were overstated	(8,779)	(8,779)
Due from other governmental units were understated	29,788	29,788
Prepaid expense were understated	<u>6,700</u>	<u>6,700</u>
Beginning of Year as restated	<u>\$ 781,109</u>	<u>\$ 317,940</u>

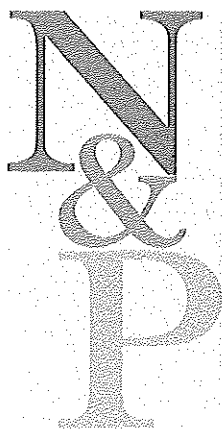
REQUIRED SUPPLEMENTAL INFORMATION

MOTTVILLE TOWNSHIP
REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
REVENUES				
Property taxes	\$ 57,420	\$ 57,420	\$ 61,531	\$ 4,111
Tax administration fees	-	-	17,520	17,520
SET collection fee	-	-	2,492	2,492
Maint. Fee - Metro Act	1,500	1,500	1,734	234
State revenue sharing	99,100	99,100	95,218	(3,882)
Licenses and permits	900	900	8,108	7,208
Charges for services	9,200	9,200	11,915	2,715
Interest income	10,000	10,000	8,524	(1,476)
Rental income	3,000	3,000	3,000	-
Miscellaneous	<u>13,050</u>	<u>13,050</u>	<u>981</u>	<u>(12,069)</u>
Total revenues	194,170	194,170	211,023	16,853
EXPENDITURES				
Township Board	43,310	63,310	39,275	24,035
Supervisor	12,200	12,200	12,092	108
Elections	3,600	3,600	715	2,885
Assessor	19,850	20,050	19,853	197
Land Division	1,200	1,200	1,200	-
Clerk	18,180	18,230	15,797	2,433
Board of Review	875	875	510	365
Treasurer	22,430	22,430	20,917	1,513
Township Hall	24,950	25,350	18,029	7,321
Cemetery	10,000	11,100	9,885	1,215
Fire Protection	30,000	30,000	30,000	-
Ambulance	6,000	6,128	6,128	-
Planning/zoning	7,025	7,825	6,827	998
Enforcement	5,050	5,050	3,915	1,135
Highways	1,500	1,500	1,860	(360)
Street lighting	3,200	3,350	3,330	20
Parks	<u>3,000</u>	<u>3,000</u>	<u>1,475</u>	<u>1,525</u>
Total expenditures	<u>212,370</u>	<u>235,198</u>	<u>191,808</u>	<u>43,390</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(18,200)	(41,028)	19,215	60,243
FUND BALANCE - BEGINNING OF YEAR - AS RESTATED	<u>317,940</u>	<u>317,940</u>	<u>317,940</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 299,740</u>	<u>\$ 276,912</u>	<u>\$ 337,155</u>	<u>\$ 60,243</u>

MOTTVILLE TOWNSHIP
REQUIRED SUPPLEMENTAL INFORMATION
IMPROVEMENT FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
REVENUES				
Interest income	\$ 100	\$ 100	\$ 1,513	\$ 1,413
EXPENDITURES				
Capital outlay	<u>61,000</u>	<u>61,000</u>	<u>-</u>	<u>61,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (60,900)		(60,900)	1,513	62,413
FUND BALANCE - BEGINNING OF YEAR	<u>237,397</u>	<u>237,397</u>	<u>237,397</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 176,497</u>	<u>\$ 176,497</u>	<u>\$ 238,910</u>	<u>\$ 62,413</u>



REQUIRED COMMUNICATION TO THE TOWNSHIP OF MOTTVILLE
IN ACCORDANCE WITH PROFESSIONAL STANDARDS

October 13, 2010

To the Township Board
Township of Mottville, Michigan

Norman & Paulsen, P.C.

Certified Public Accountants

127 W. Chicago Road

Sturgis, MI 49091

269.651.3228

Fax 269.651.5146

E-mail

normanpaulsen@charter.net

Other Location:

123 N. Main Street

Three Rivers, MI 49093

269.273.8641

Fax 269.278.8252

E-mail

npnr@npaccounting.com

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Mottville for the year ended June 30, 2010, and have issued our report thereon dated October 13, 2010. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 22, 2010, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Mottville are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce S. A. Gosling, CPA/ABV, CVA

Michael R. Wilson, CPA

Rick L. Strawser, CPA

Jerrel T. Norman (1941-1982)

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 13, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control Matters

In planning and performing our audit of the financial statements of the Township of Mottville, Michigan for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses.

The relatively small number of people involved in the accounting functions of the Township makes it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board of Trustees must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). As is the case with most small and medium-sized entities, the Township has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process.

Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot, by definition, be considered a part of the government's *internal* controls. This condition was caused by the Township's determination that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.

This communication is intended solely for the information and use of management, Board of Trustees, and others within the Municipality, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Norman E. Paulson, P.C.